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C O N F I D E N T I A L SECTION 01 OF 02 TASHKENT 001551

SIPDIS
AMEMBASSY ASTANA PASS TO USOFFICE ALMATY
AMEMBASSY HELSINKI PASS TO AMCONSUL ST PETERSBURG
AMEMBASSY MOSCOW PASS TO AMCONSUL VLADIVOSTOK
AMEMBASSY MOSCOW PASS TO AMCONSUL YEKATERINBURG
AMEMBASSY BELGRADE PASS TO AMEMBASSY PODGORICA
AMEMBASSY ATHENS PASS TO AMCONSUL THESSALONIKI

E.O. 12958: DECL: 2019/10/27
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SUBJECT: Uzbekistan: Tashkent Tidbits - October 26, 2009

CLASSIFIED BY: Nicholas Berliner, Pol Econ Chief; REASON: 1.4(B), (D)

EU Set to Lift Last Andijon Sanctions on Uzbekistan

11. (C) According to both EU Embassy diplomatic contacts in Tashkent and press reporting, the EU looks set to lift its arms embargo on Uzbekistan, the last of the Andijon-related sanctions that remains since Brussels lifted the visa and travel ban in 2008. Although there apparently is not unanimity on this issue in the Council, the sanctions will expire without a consensus to re-impose them, which Germany and several other countries will not support. We were told that this came about when Germany had previously tried to gather support to lift the sanctions, but Swedish FM Bildt had insisted at that time that any change would require consensus. Having reached their sunset provision, the sanctions will now expire without consensus under the Swedish EU Presidency. EU diplomats on the ground feel that sanctions have been largely counterproductive and consider that continued engagement is the only way to work towards positive change in Uzbekistan.

GOU Keeps Score with EU Countries

12. (C) The GOU is generally dismissive of the EU and prefers to deal with its member states on a bilateral basis. Even as Brussels prepares to let sanctions expire, the GOU is watching the positions of individual member states. The Czech DCM in Tashkent, whom the GOU had threatened to expel recently for human rights advocacy, told PE Chief last week that his Embassy had been asked by the MFA to explain Czech opposition to lifting sanctions - despite the fact that it is a certainty that the sanctions will be allowed to expire regardless of the Czech position. The UK and other EU members who have advocated for maintaining sanctions also expect to get the cold shoulder in Tashkent for a while.

THE NAVOI FIEZ FAIR: IS ANYONE BUYING?

13. (SBU) The Ministry of Foreign Economic Relations, Investment,

and Trade (MFERIT) sponsored a conference this week on investment in the Navoi Free Industrial Economic Zone (FIEZ) (reftel). The event, co-sponsored by the Asian Development Bank and Islamic Development Bank, was well attended by the diplomatic corps, but investors did not appear in force. Thematic afternoon panel sessions were sparsely attended. The only U.S. company represented was Honeywell, which was in country to explore business opportunities and participated in the conference as a side event. The Russian Deputy Trade Representative told us that the only Russian companies at the conference were Lukoil and Gazprom.

14. (SBU) Although this week's conference may not have met its organizer's hopes, the Navoi FIEZ is one of the more interesting projects undertaken by the GOU this year. With facilities and infrastructure rapidly falling into place, we expect the FIEZ will find its investors. To date it has been mainly South Korean companies that have concluded deals and begun construction of production facilities inside the FIEZ.

Visit from the Kazakhs

TASHKENT 00001551 002 OF 002

15. (C) Several diplomats requested meetings following the A/S Blake visit in order to hear about Blake's meetings with senior officials, and specifically about his session with President Karimov. Kazakh Charge Valikhan Turehanov met with the DCM on October 16 to ask about whether A/S Blake discussed putting U.S. troops in Uzbekistan and whether Uzbek military engineers would be deployed to Afghanistan - issues that did not come up in discussions. Turehanov expressed that Kazakhstan will be seeking a greater role for the OSCE in Afghanistan when it takes over the OSCE Chairmanship in 2010. Specifically, the Kazakhs hope that the OSCE will play a role in the peaceful settlement issues, particularly in long-standing conflict areas. They will also be looking for Uzbekistan's cooperation on environmental issues, such as the Aral Sea. Turehanov also informed us that Kazakh President Nazarbayev is planning a visit to Tashkent in February. Turehanov asserted that contrary to popular belief, Nazarbayev and Karimov have a close personal relationship, upon which the bilateral relationship between the two countries is based.

Chinese Embassy on Relations with Uzbekistan

16. (C) In an October 22 conversation, the DCM from the Chinese Embassy in Tashkent gave a generally positive characterization of PRC-Uzbekistan relations. He noted that trade volumes had increased by 40% over the last year, led largely by on-going investments in the energy sector. The Turkmenistan-Uzbekistan-Kazakhstan-China gas pipeline is near completion and expected to begin transporting 4.5 bcm of gas through Uzbekistan each year. He noted that China was interested in expanding its investments in the gas sector in Uzbekistan to meet growing domestic demand in China and also to enable the country to gradually reduce its reliance on coal in order to make reductions in carbon emissions. On security issues, he said that there was strong cooperation with Uzbekistan, particularly on what he termed "separatist" (i.e. Uighur) issues. (According to press reports, Defense Minister Berdiyev was in Beijing on Oct. 23.) Inquiring about the recent visit by A/S Blake and the Uzbek position on Afghanistan, he said that China opposed President Karimov's "6 plus 3" model for the same reasons as the U.S. - that it excludes the elected government of Afghanistan and, in so doing, creates parity between the Afghan government and the Taliban.

NORLAND